

the means of comparing with this defined standard the prices existing in individual periods. We are thus enabled to ascertain upon a uniform and consistent basis—if the standard has been suitably chosen—the proportionate advance or fall of prices which are current from time to time, as the sign of the altered cost of living, the varied rate of expense and profit of manufactures as dependent on the raw material employed, and, generally, the heavier or diminished burden of expenditure imposed upon the country whose fortunes we are gauging in this particular form.

The primary conditions of this system of comparison consist, as we have observed, of (1) the adoption of such a standard or criterion—with which the prices of any year can be brought into relation—as shall, both in respect of its composition and range, form as closely as possible a general and genuine type of the vicissitudes of variation to which prices are usually and recurrently subject. This condition will be considered when describing the standards selected in practice. The construction (2) of a method of measuring prices with those of the standard period, which shall be simple, facile of application, and—since any scheme of assessment must, from the nature of the case, be approximate only—reasonably trustworthy as an index of change.

We propose, first of all, to treat of the measure of comparison ; and, as an introduction to the character and facility of Index Numbers, the results of a crude plan of measurement may be considered. In the second column of the appended Table I have inserted the average prices of three articles which Mr. Sauerbeck has furnished in his standard scale<sup>1</sup>—being the average prices of these commodities which prevailed during the period from 1867 to 1877, both inclusive; and in the third column I have, for illustration, adopted their prices during a subsequent year according to the ratios provided by another writer—

<sup>1</sup> I particularly draw attention to Mr. Sauerbeck's annual papers in the *Journal of the Statistical Society*—especially that of 1886.